CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

ASSEMBLY BILL No. 1164

Introduced by Assembly Member Bogh

February 22, 2005

An act to add Sections 17141 and 17204.5 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1164, as introduced, Bogh. Personal income taxes: individual homeownership development accounts.

The Personal Income Tax Law allows various deductions and exclusions in computing taxable income under that law.

This bill would also allow a deduction, not to exceed $10,000, of the amount deposited in any taxable year in an individual homeownership development account, and would, for taxable years commencing on or after January 1, 2005, exclude from gross income any interest earned on the moneys deposited in an individual homeownership development account.

The bill would provide that amounts may be withdrawn from those accounts to pay for qualified individual homeownership development expenses, as defined. Any withdrawals for other than qualified individual homeownership development expenses would be included in income.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 17141 is added to the Revenue and Taxation Code, to read:

17141. For each taxable year beginning on or after January 1, 2005, gross income does not include, under the same conditions as provided in Section 408 of the Internal Revenue Code with respect to an individual retirement account, any interest accruing during the taxable year to an individual homeownership development account as defined in Section 17204.

SEC. 2. Section 17204.5 is added to the Revenue and Taxation Code, to read:

17204.5. (a) For each taxable year beginning on or after January 1, 2005, there shall be allowed as a deduction an amount equal to the amount deposited by a taxpayer during the taxable year in an individual homeownership development account, not to exceed ten thousand dollars ($10,000). The dollar limitation in the preceding section shall not preclude deposits of matching funds into an individual homeownership development account by any person other than the taxpayer. However, matching funds may be withdrawn only for qualified individual development expenses, and may not be withdrawn for any emergency, medical or otherwise.

(b) For purposes of this section:

(1) "Individual homeownership development account" means a trustee or custodial account that meets all of the following requirements:

(A) Is designated as an individual homeownership development account by the trustee or custodian.

(B) Is established for the exclusive benefit of any individual establishing the account where the written governing instrument creating the account provides for the following:

(i) All contributions to the account are required to be in cash.

(ii) The account is established to pay, pursuant to the requirements and limitations of this section, for the qualified individual homeownership development expenses of an individual establishing the account.

(C) Is, except as otherwise required or authorized by this section, subject to the same requirements and limitations as an individual retirement account established under Section 408 of the Internal Revenue Code, and any regulations adopted thereunder.

(2) “Qualified individual homeownership development expenses” means expenses, including a down payment, paid or incurred in connection with the purchase of an individual’s first residence for use by the individual who established the individual homeownership development account as his or her principal residence.

(3) “Trustee or custodian” shall have the same meaning as those terms have under Section 408 of the Internal Revenue Code, and any regulations adopted thereunder.

(c) Any amount withdrawn from an individual homeownership development account shall, except as otherwise provided in this section, be included in the income of the payee or distributee for the taxable year in which the payment or distribution is made, unless the payment or distribution is made to pay for the qualified individual homeownership development expenses of an individual that established the account.

SEC. 3. This act provides for a tax levy within the meaning of Article IV of the Constitution and shall go into immediate effect.

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